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PSC ADOPTS QWEST PROPOSAL FOR 'DEAVERAGING' NETWORK ELEMENT RATES PAID BY LOCAL SERVICE COMPETITORS

The state Public Service Commission wrapped up a year-long proceeding to "deaverage" Qwest's rates for telephone network elements purchased by wholesale customers when it decided last week to accept Qwest's deaveraging proposal. Under the plan, the rates Qwest's local service competitors will pay for telephone network loops will be linked to the current retail rate structure which includes four density-based zones.

In December 1999 the PSC directed Qwest to file a proposal to establish different rates in at least three defined geographic areas within the state for telephone network elements purchased by wholesale customers. The proceeding was necessary in order to meet a Federal Communications Commission requirement that state regulatory commissions deaverage network element rates for non-rural local exchange companies. Qwest is the only such company in Montana. Network elements are the facilities and equipment used to provide telephone service that local phone companies like Qwest are required by federal law to make available to competitors who request them. The required rate deaveraging must reflect the differences in Qwest's costs to provide network elements in different geographic areas. Qwest's network elements are currently priced at an average rate without regard to customer location.

Because Montana law prohibits the PSC from departing from average pricing for network elements purchased by wholesale customers except to the extent retail customer telephone prices are also deaveraged, the PSC directed Qwest to file a proposal that will allow the PSC to comply with the FCC order while remaining consistent with state law.

In its order, the PSC noted that it adopted Qwest's proposal because it maintains rate stability for loops while the commission determines permanent loop rates in a separate pricing proceeding.

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